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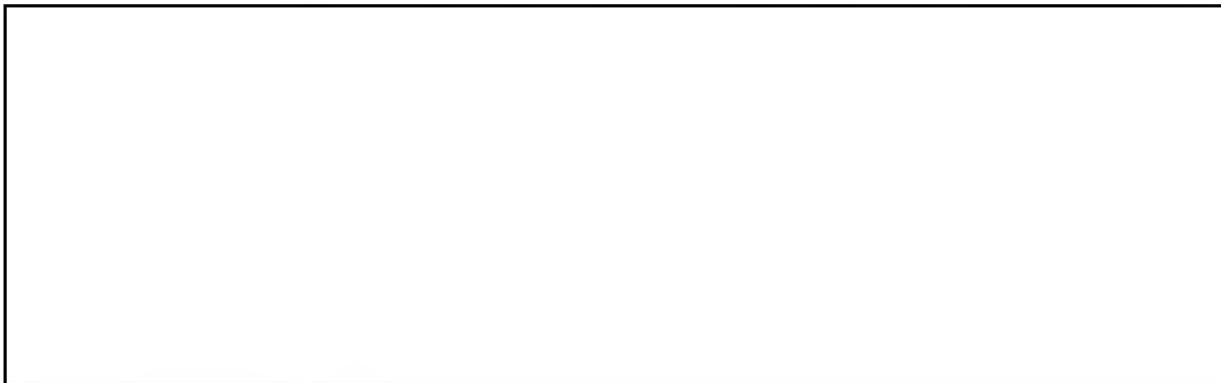
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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SOUTHEAST ASIA

1. Saigon embassy comments on Bao Dai plan for new Vietnamese government:

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The American embassy in Saigon notes that Bao Dai's plan for a new government in South Vietnam closely resembles French proposals previously regarded by the embassy as undesirable and unworkable. The embassy suspects that the French and Bao Dai have collaborated on this plan, and advanced the name of Phan Huy Quat for premier as "sugar-coating" for an otherwise bitter dose. The requirement that France and the United States adopt a hands-off attitude after agreeing in principle to the plan, it points out, would leave the French in an infinitely better position to influence Bao Dai, the sects, and other groups through long-established channels.

The embassy fails to see how the impression can be avoided under Bao Dai's plan that Diem has lost and the sects have won. Bao Dai's proposal that the sect problem be resolved by the integration of the sects' forces into the national army ignores the fact that the financial and practical impossibility of doing exactly this lies at the root of much of the current crisis. The embassy is firmly convinced that Bao Dai's proposal to appoint army representatives to the "Council of National Union" is undesirable.

Comment: Bao Dai's plan, as outlined to the American embassy in Paris on 20 April, would establish two policy-making bodies--a cabinet of about 12 nonpolitical technicians, to be headed by Phan Huy Quat, and a council of some 18 members representing various groups including the army, the peasantry, and "the artisanry." The respective powers of these two bodies would be determined by negotiation. Bao Dai saw his own role as that of an "arbitrator and catalyst."

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2. Thai foreign minister reported to have become more neutralist at Bandung:

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Prince Wan, the Thai foreign minister, became progressively more "neutralist" at the Bandung conference, [redacted]

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attributed this shift to Chou En-lai's assurances that Thailand had nothing to fear from the "Free Thai" movement and that former Thai premier Pridi Phanomyong would be restricted to Peiping and its immediate environs.

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Comment: Wan is a leading advocate within the Thai government of close relations with the United States. His opening speech at Bandung was strongly pro-Western but he did not figure importantly in subsequent debates. In view of his election as rapporteur of the political committee, he may have felt compelled to assume a nonprovocative role.

A leading Bangkok newspaper has reported speculation in Bandung that Chou, who recently referred to Pridi as a "political refugee," might offer to restrict the latter's activities in return for Thai support for Communist China's entry into the UN.

SOUTH ASIA

3. Comment on Indian reaction to Afro-Asian conference:

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Prime Minister Nehru's failure to dominate the recent Afro-Asian conference was even more marked than his lack of success at the first Colombo powers meeting in April 1954. He is likely to increase his earlier opposition toward any permanent organization developing from the conference in Bandung.

The initial satisfaction expressed by the Indian press over the "good start" of the conference gave way to

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sharp criticism of the pro-Western countries in attendance, as well as of the United States, when Nehru's repeated efforts to keep the sessions on a noncontroversial course were thwarted by effective anti-Communist speeches.

General Indian press approval of Chou's "restraint and moderation" suggests that Communist China's tactics at Bandung impressed Indian public opinion. Nehru's failure to comment on Chou's proposals on Formosa suggests, however, that he is irked because Chou's proposals seemed offered in response to Kotelawala's strong anti-Communist speech, whereas nothing had resulted from the earlier talks which he and Krishna Menon had had with the Chinese premier.

The irritations which developed at Bandung between Nehru and the Ceylonese and Pakistani prime ministers are likely to hamper the success of forthcoming conferences of the Colombo powers' leaders. Difficulties may thus arise in May both at the proposed India-Pakistan meeting on Kashmir and at the Asian economic conference at Simla.

NEAR EAST - AFRICA

4. French agreement seen unsatisfactory to Tunisian nationalists:

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The agreement in principle announced in Paris on 22 April by the French and Tunisian governments is nothing more than an armistice and fails to settle vital issues,

Salah ben Youssef, secretary general of the nationalist Neo-Destour party, will probably refuse to accept the arrangement.

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The American ambassador in Paris points out that further hurdles may be expected when the agreements are drafted as well as in connection with their ratification by the National Assembly. A meeting to initial several as yet undrafted conventions is scheduled for 30 May.

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Comment: Other reports also state that both the Tunisian and French negotiators, in their desire to terminate the talks which commenced last September, finally agreed in principle so that they could recess during Ramadan, the month of religious fasting which began on 23 April.

The agreement has already been denounced by Ben Youssef, leader of the extreme wing of the Neo-Destour, and by French settlers in Tunisia, who declared on 23 April that they would fight it in every way possible.

WESTERN EUROPE

5. USSR reportedly submits commodity deliveries list to Austrian government:

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Soviet high commissioner Ilichev on 20 April gave Chancellor Raab a list of goods which Austria is to deliver in the next six years to cover the projected payment of \$150,000,000 stipulated in the draft state treaty,

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Scheduled annual deliveries would include 5,000 tons of sheet steel, 5,000 tons of galvanized sheets, 2,000 tons of copper sheets, 1,000 kilometers of power-line cable, and 2,000 tons of rolling mill equipment.

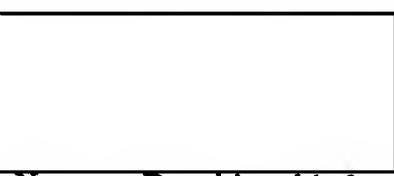
Comment: Copper sheets and rolling mill equipment are subject to embargo under East-West trade controls, and some of the specific items which would be delivered under other commodity categories are probably also subject to controls. In the past, however, the Soviet bloc has been obtaining annually larger quantities of these or equally strategic goods from Soviet-controlled enterprises in Austria. (Concurred in by ORR)

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7. Bao Dai planning "to act" on 27 April:

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Bao Dai is proposing "to take action" on 27 April and hopes that the American reaction to his suggested plan will be received before that date, according to Nguyen De, his chief adviser. Bao Dai believes the urgency of the situation is such that he must act "before it is too late."

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Comment: The action referred to is presumably an order to Phan Huy Quat to come to France to start negotiations for the formation of a new government. In outlining Bao Dai's plan last week, Nguyen De said that Bao Dai believed the tension in Saigon would end as soon as it was known that his plan was being acted on. At that time, however, De stated that American agreement was a prerequisite to implementation of the plan.

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington
up to 1100 hours 25 April 1955.

1. No significant developments have been reported.

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